
CVP Analysis

XX produces and sells only two products that are referred to as XX and XX. Production is "for order" only, and no finished goods inventories are maintained; works in process inventories are negligible.

The following data have been extracted relating to last month:

| | Product 1 | Product 2 |
|--------------------------------|------------------|------------------|
| Sales | \$XXX,000 | \$XXX,000 |
| Manufacturing Costs | | |
| Materials | \$XX,000 | \$XX,000 |
| Labor | \$XX,000 | \$XX,000 |
| Overhead | \$XX,000 | \$XX,000 |
| Selling expenses | \$XX,000 | \$XX,000 |
| Administrative expenses | \$XX,000 | \$XX,000 |

An analysis has been made of the manufacturing overhead. Although the items listed above are traceable to the products, \$XX,000 of the overhead assigned to XX (product 1) and \$XX,000 of that assigned to XX (product 2) are fixed. The balance of the overhead is variable.

Selling expenses consist entirely of commissions paid as a percentage of sales. Direct labor is completely variable.

Administrative expenses in the data above are fixed and cannot be traced to the products but have been arbitrarily allocated to the products.